

Message Text

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ACTION STR-04

INFO OCT-01 EA-07 ISO-00 STRE-00 EB-07 SSO-00 ITC-01

COME-00 TRSE-00 L-03 /023 W

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O 230844Z SEP 76

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC IMMEDIATE 1132

LIMITED OFFICIAL USE TAIPEI 6451

PASS STR ELECTRONICALLY

FROM HEIMLICH FOR WOLFF

EO 11652 GDS

TAGS ETRD JA

SUBJECT: TOKYO TALKS ON SPECIALTY STEEL

REF: (A) STATE 234761

(B) STATE 235156

1. SAITO MET US AT AIRPORT ON SEPT. 22 AND WE AGREED THEN TO
HOLD DISCUSSIONS IN TOKYO ON SATURDAY, SEPT. 25.

2. SUGGEST CHECKING COMMERCE ESTIMATES ON BEARING STEEL IMPORTS
WITH USITC BEARING ANALYST. UNDERSTAND METHODOLOGY INVOLVED
COULD BE SUBJECT TO LARGE POTENTIAL ERROR FOR SMALL BEARING
CONSUMERS, WHO REPRESENT 17,500 TONS OF 27,500 TONS ESTIMATED
IMPORTS.

3. COMPLAINTS BY OTHER SIGNIFICANT SUPPLIERS OF BEARING STEEL
(PARA 2, REFTEL A) ARE UNLIKELY UNTIL SIX MONTH QUOTAS FOR
TOOL STEEL ARE FILLED. AS OF SEPT. 10 THERE WAS STILL
CONSIDERABLE ROOM LEFT IN BOTH E.C. AND SWEDISH TOOL STEEL QUOTAS.

4. NEED CLARIFICATION ON FOLLOWING POINTS: (A) PARA 3, REFTEL A
REFERS TO LACK OF SUFFICIENT USG INFORMATION BUT NOT CLEAR THAT
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SIGNIFICANT NEW INFORMATION WILL BE AVAILABLE BEFORE SHIFT

PROVISION WILL HAVE TO BE AMENDED; (B) REFERENCE IN PARA 2, REFTEL B TO DEFINITIONAL PROBLEM APPEARS RELATED TO MANNER IN WHICH EXCLUSION WOULD BE MADE RATHER THAN NATURE OF MATERIAL (SUJ2 AND SUJ 3) BEING EXCLUDED (NOTE: GOJ PROPOSAL WOULD COMPLICATE INVESTIGATION AND NEEDLESSLY BROADEN SCOPE OF EXCLUSION). HENCE RELEVANCE TO ESTABLISHING CATEGORIES FOR BEARING AND OTHER TOOL STEEL IN SHIFT APPROACH (PARA 3, REFTEL B) IS NOT CLEAR; (C) QUESTION OF APPROPRIATE BASE LIMITS (PARA 3, REFTEL B) IN ESTABLISHING SHIFT FOR BEARING AND OTHER TOOL STEEL CATEGORIES COULD BE HANDLED BY USING SIX MONTH TOOL QUOTA (2.1 THOUSAND TONS) AS OTHER TOOL STEEL BASE AND REMAINING 40 PERCENT (1.4 THOUSAND TONS) FOR BEARING STEEL BASE. SINCE ONLY ABOUT 600 TONS OF OTHER TOOL HAS BEEN CHARGED TO QUOTA, 1500 TONS (5 MONTHS SHIPMENTS) WOULD BE AVAILABLE WITHOUT ANY SHIFT. SINCE ABOUT 4.2 THOUSAND TONS OF BEARING MAY HAVE ENTERED BY END OF SEPTEMBER WE NEED 200 PERCENT SHIFT TO START WITH AND ABOUT 100 PERCENT EXTRA SHIFT FOR EACH ADDITIONAL MONTH (E.G. TOTAL 700 PCERCENT SHIFT FOR NEXT 5 MONTHS). THIS APPROACH WOULD ENSURE CONSTRAINTS ON OTHER TOOL STEEL WHILE CLEARLY LINKING EXTRA SHIFT TO BEARING STEEL ONLY; (D) ASSUME DRAFT LETTER (PARA 4, REFTEL B) TO BE SIGNED BY DENT AND TOGO TO ASSURE STATUS AS AMENDMENT TO AGREEMENT. WOULD APPRECIATE CLARIFICATION AND UPDATE ON ANY GOJ REACTION BEFORE SATURDAY MEETING WHO WOULD BE DESIGNATED FOR SUBSEQUENT AMENDMENTS?

(E) ASSUME DECISION TO LIMIT INITIAL AMENDMENT TO 100 PERCENT SHIFT REFLECTS CONCERN ABOUT LARGE AMOUNTS INVOLVED. APPROACH IN 4(C) ABOVE MIGHT ALLEVIATE CONCERN (NOTE: 100 PERCENT SHIFT LIKELY WOULD COVER ONLY ONE MONTH'S SHIPMENTS DUE TO CATCH UP ON DISCREPANCY).

5. PROPOSED DRAFT LETTERS DO NOT COVER RESTORATIONS AFTER EXCLUSION. USG-GOJ UNDERSTANDING ON THIS ISSUE PROBABLY IS NEEDED BEFORE AMENDING SHIFT. IN SATURDAY DISCUSSION WITH GOJ, WOULD PLAN TO STICK WITH OUT POSITION DURING TALKS WITH SAITO IN WASHINGTON. ANY FURTHER THOUGHTS WOULD BE APPRECIATED. UNGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, NEGOTIATIONS, STEELS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TAIPEI06451
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760359-0237
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760925/aaaaavsk.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 234761, 76 STATE 235156
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAY 2004 by ShawDG>; APPROVED <22 SEP 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TOKYO TALKS ON SPECIALTY STEEL
TAGS: ETRD, JA, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006